



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Attn: Mandatory Review, MC 4920 DAL  
1100 Commerce St.  
Dallas, TX 75242

501.19-00

Date: August 10, 2012

Number: **201252027**

Release Date: 12/28/2012

LEGEND

ORG - Organization name

XX - Date Address - address

**Employer Identification Number:**  
**Person to Contact/ID Number:**  
**Contact Numbers:**

Voice:

Fax:

ORG  
ADDRESS

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED #**

Dear

In a determination letter dated November 19XX, you were held to be exempt from Federal income tax under section 501(c)(19) of the Internal Revenue Code (the Code).

Based on recent information received, we have determined you have not operated in accordance with the provisions of section 501(c)(19) of the Code. Accordingly, your exemption from Federal income tax is revoked effective January 1, 20XX. This is a final adverse determination letter with regard to your status under section 501(c)(19) of the Code.

We previously provided you a report of examination explaining why we believe revocation of your exempt status is necessary. At that time, we informed you of your right to contact the Taxpayer Advocate, as well as your appeal rights. On February 16, 20XX, you signed Form 6018-A, *Consent to Proposed Action*, agreeing to the revocation of your exempt status under section 501(c)(19) of the Code.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You have filed taxable returns on Forms 1120-A *U.S. Corporation Short-Form Income Tax Return* and Forms 1120, *US Corporation Income Tax Return*, for the years ended December 31, 20XX, 20XX, 20XX, and 20XX with us. For future periods, you are

required to file Form 1120 with the appropriate service center indicated in the instructions for the return.

You have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please contact the person whose name and telephone number are shown at the beginning of this letter.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

**Internal Revenue Service**

**Department of the Treasury**  
Tax Exempt & Government Entities Division  
1100 Commerce Street  
Dallas, Texas 75242

Date: February 16, 2012

ORG  
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:

Telephone:

Fax:

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED**

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your organization's exempt status is necessary.

If you do not agree with our position you may appeal your case. The enclosed Publication 3498, *The Examination Process*, explains how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

If you request a conference, we will forward your written statement of protest to the Appeals Office and they will contact you. For your convenience, an envelope is enclosed.

If you and Appeals do not agree on some or all of the issues after your Appeals conference, or if you do not request an Appeals conference, you may file suit in United States Tax Court, the United States Court of Federal Claims, or United States District Court, after satisfying procedural and jurisdictional requirements as described in Publication 3498.

You may also request that we refer this matter for technical advice as explained in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*. If a determination letter is issued to you based on technical advice, no further administrative appeal is available to you within the IRS on the issue that was the subject of the technical advice.

If you accept our findings, please sign and return the enclosed Form 6018, *Consent to Proposed Adverse Action*. We will then send you a final letter revoking your exempt status. If we do not hear from you within 30 days from the date of this letter, we will process your case on the basis of the recommendations shown in the report of examination and this letter will become final. In that event, you will be required to file Federal income tax returns for the tax period(s) shown above. File these returns with the Ogden Service Center within 60 days from the date of this letter, unless a request for an extension of time is granted. File returns for later tax years with the appropriate service center indicated in the instructions for those returns.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Form 6018  
Report of Examination  
Envelope

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer ORG EIN: EIN		Year/Period Ended December 31, 20XX December 31, 20XX

**LEGEND**

ORG - Organization name      XX - Date      EIN - EIN      State - state  
motto - motto

**ISSUE:**

Does ORG continue to qualify for exemption under IRC 501(c)(19) given that the majority of their activities come from gaming activities with nonmembers?

**FACTS:**

ORG is tax-exempt under section 501(c)(19). Your exempt purpose is to assist the ORG Chapter in all of its purposes and goals, both locally and nationally. ORG Chapter's purposes is to improve the relationship between military and civilian populations; and to maintain liaison with active personnel of the Armed Forces.

Your organization is the ORG and was incorporated in the State of State on February 25, 19XX and recognized by the Service as a Veterans Organization, exempt under section 501(c)(19) of the Code, in November 19XX.

Your specific and primary purposes, per your Articles of Incorporation are to:

- a) improve the relationship between military and civilian populations
- b) maintain liaison with active personnel of the Armed Forces.
- c) assist ORG in all of its purposes and goals, both locally and nationally.

There were eight (8) active members and fifty-one (51) members at-large whom all were or currently spouses of the retired or former members of the United States Armed Forces. The members conducted two to three meetings throughout 20XX and 20XX. At these meetings discussions were held of their National Convention, needy families, and donations made to other organizations in the area.

The organization also conducted gaming (motto) activities with nonmembers (general public) twice a week for five hours in a rented hall with approximately 25-50 patrons which was conducted by volunteers of the Auxiliary. The organization is conducting gaming activities with the majority being the general public.

The members rarely get together due to members are scattered throughout the United States. Two to three meetings were held throughout the year. Several members attended the National Convention in 20XX and 20XX. The majority of income received comes from gaming activities which is open to the general public.

**LAW:**

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer ORG EIN: EIN		Year/Period Ended December 31, 20XX December 31, 20XX

Section 501(c)(19) of the Internal Revenue Code describes a post or organization of past or present members of the Armed Forces of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization:

- (A) organized in the United States or any of its possessions,
- (B) at least 75 percent of the members of which are past or present members of the Armed Forces of the United States and substantially all of the other members of which are individuals who are cadets or are spouses, widows, widowers, ancestors, or lineal descendants of past or present members of the Armed Forces of the United States or of cadets, and
- (C) no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Federal Tax Regulation section 1.501(c)(19)-1(a) In general:

- (1) states that for taxable years beginning after December 31, 1969 a veterans post or organization which is organized in the United States or any of its possessions may be exempt as an organization described in section 501(c)(19) if the requirements of paragraphs (b) and (c) of this section are met and if no part of its net earnings inures to the benefit of any private shareholder or individual. Paragraph (b) of this section contains the membership requirements such a post or organization must meet in order to qualify under section 501(c)(19). Paragraph (c) of this section outlines the purposes, at least one of which such a post or organization must have in order to so qualify.
- (2) In addition, an auxiliary unit or society described in paragraph (d) of this section of such a veterans post or organization and a trust or foundation described in paragraph (e) of this section for such post or organization may be exempt as an organization described in section 501(c)(19).

Federal Tax Regulation section 1.501(c)(19)-1(b) Membership requirements:

- (1) In order to be described in section 501(c)(19) under paragraph (a)(1) of this section, an organization must meet the membership requirements of section 501(c)(19)(B) and this paragraph. There are two requirements that must be met under this paragraph. The first requirement is that at least 75 percent of the members of the organization must be war veterans. For purposes of this section the term "war veterans" means persons, whether or not present members of the United States Armed Forces who have served in the Armed Forces of the United States during a period of war (including the Korean and Vietnam conflicts).

Form <b>886A</b>	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule No. or Exhibit
Name of Taxpayer ORG EIN: EIN		Year/Period Ended December 31, 20XX December 31, 20XX

(2) The second requirement of this paragraph is that at least 97.5 percent of all members of the organization must be described in one or more of the following categories:

- (i) War Veterans
- (ii) Present or former members of the United States Armed Forces,
- (iii) Cadets (including only students in college or university ROTC programs or at Armed Services academics), or
- (iv) Spouses, widows, widowers of individuals referred to in paragraph (b)(2)(i), (ii) or (iii) of this section.

Federal Tax Regulation section 1.501(c)(19)-1(c) Exempt Purposes: In addition to the requirements of paragraphs (a)(1) and (b) of this section, in order to be described in section 501(c)(19) under paragraph (a)(1) of this section an organization must be operated exclusively for one or more of the following purposes:

- (1) To promote the social welfare of the community as defined in section 1.501(c)(4)-1(a)(2),
- (2) To assist disabled and needy war veterans and members of the United States Armed Forces and their dependents, and the widows and orphans of deceased Veterans,
- (3) To provide entertainment, care, and assistance to hospitalized veterans or members of the Armed Forces of the United States,
- (4) To carry on programs to perpetuate the memory of deceased veterans or members of the Armed Forces and to comfort their survivors,
- (5) To conduct programs for religious, charitable, scientific, literary, or educational purposes,
- (6) To sponsor or participate in activities of a patriotic nature,
- (7) To provide insurance benefits for their members or dependents of their members or both, or
- (8) To provide social and recreational activities for their members.

Substantially unrelated activities may prohibit exemption. The following are examples of unrelated activities that may affect exemption:

- Rents out its facilities to the general public;
- Facilities, such as bar and dining facilities, open to the general public;
- Sells liquor and/or food to members and/or the public for consumption off the premises.
- Gaming activities with nonmembers

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**GOVERNMENT POSITION:**

The organization has eight (8) active members and fifty-one (51) members at-large whom all are or were spouses of retired or former members of the United States Armed Forces. The organization does meet the membership requirement because all members are spouses of retired or former members of the United States Armed Forces.

Your organization conducted exempt function activities, held two to three meetings throughout 20XX and 20XX, attended an annual convention and donated resources to various causes. Your primary activity was conducting gaming activities (motto) with the general public twice a week, five hours per evening, jeopardizing your exempt status. The majority of income received was from the general public except for a small rebate check.

The organization conducted activities in accordance with their exempt purpose; however, as result of our examination of your Form 990 and 990-T for period ending December 31, 20XX and December 31, 20XX we have determined (MOTTO) was your primary activity which was conducted twice a week, five hours per evening. Therefore, your organization no longer qualifies as an exempt Veteran Organization described in the Internal Revenue Code section 501(c)(19).

We propose revocation of your exempt status under section 501(c)(19) of the Internal Revenue Code effective January 1, 20XX.

**TAXPAYER'S POSITION:**

The organization agrees with the revocation and completed Form 1120 for tax year ending December 31, 20XX, December 31, 20XX, December 31, 20XX, and December 31, 20XX. Agent submitted Form 6018-A for signature on February 16, 20XX for an officer signature.

**CONCLUSION:**

As a result of the examination of your organization's activities and Form 990 for the period ended December 31, 20XX and December 31, 20XX, it was determined that your organizations primary activity was the operation of conducting gaming (motto) with the general public. Therefore, the organization does not continue to qualify for exemption as an organization described in section 501(c)(19) of the Internal Revenue Code. Consequently, the exempt status of the organization is being revoked effective January 1, 20XX.

Should this revocation be upheld you are required to file Form 1120 for all future periods, whether or not you have taxable income.